

# Memorandum

To: Panel Members Date: December 13, 2001

From: Ron Tagami, Manager  
Peter DeMauro, General Counsel Analyst: R. Meyer

Subject: One-Step Agreement for **21st Century Insurance Group**  
([www.I21.com](http://www.I21.com))

## **CONTRACTOR:**

- Training Project Profile: Retraining: companies w/out-of-state competition
- Legislative Priorities: Stimulating Exports /Imports  
Expansion within California
- Type of Industry: Finance and Insurance
- Repeat Contractor: No
- Contractor's Full-Time Employees
- Company Wide 2,656
- In California 2,619
- Fringe Benefits No
- Union Representation: No
- Name and Local Number of Union  
representing workers to be Trained: N/A

## **CONTRACT:**

- Program Costs: \$1,277,640
- Substantial Contribution: \$0
- Total ETP Funding: \$1,277,640
- In-Kind Contribution: \$3,560,000
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Contra Costa, Los Angeles, San Diego, and Santa Clara
- Duration of Agreement: 24 Months

**SUBCONTRACTORS:**

None

**THIRD PARTY SERVICES:**

PricewaterhouseCoopers LLC assisted in the preparation of the ETP application and related documents for an amount not to exceed \$60,000 which is based upon an hourly rate. PricewaterhouseCoopers LLC will assist in administration of the ETP Agreement for an amount to be determined.

**NARRATIVE:**

The training proposed under this ETP Agreement is for call center employees at seven 21<sup>st</sup> Century call centers, located in Brea, Concord, Monrovia, San Diego, San Jose, and Woodland Hills. These call centers have been determined eligible for standard retraining under Title 22, California Code of Regulations Section, 4416(a)(3,4) for the centralized customer service and claims services performed for 21<sup>st</sup> Century customers located throughout the Western United States.

21<sup>st</sup> Century Insurance Group (21<sup>st</sup> Century), founded in 1958, is a California-based insurance company. The company is known as a "direct response" underwriter, selling and servicing insurance and insurance related products directly to the public without commissioned agents. In addition to specializing in automobile insurance, the company offers homeowners and personal umbrella insurance products. 21<sup>st</sup> Century is organized as a holding company, with two subsidiary operational units, 21<sup>st</sup> Century Insurance Company and 21<sup>st</sup> Century Casualty Company.

The company's business began in Los Angeles, California and has historically been concentrated in Southern California. Building upon successful industry strategies, the company expanded into San Diego in the 1980's and later into Northern California during the early 1990's. In 1996, 21<sup>st</sup> Century expanded outside of California, servicing customers in Arizona. More recently, in 1998, 21<sup>st</sup> Century expanded into Nevada, Oregon, and Washington insurance markets. The company now insures more than 1.1 million automobiles annually, servicing its customers located throughout the Western United States primarily from its California locations.

21<sup>st</sup> Century is poised to grow in all its markets by emphasizing efficiency, low cost, and high levels of customer service to attract new business. 21<sup>st</sup> Century considers continued investment in information technology to be pivotal to the company's overall business strategy. Computer systems provide the information resources, telecommunications, and data processing capabilities necessary to manage account and policyholder information, claims processing, and customer support functions for new business. As telecommunications and information technology capacities advance, the company's continued investment in these technologies makes it easier for customers to transact business by increasing the number and scope of insurance related services that can be offered while simultaneously lowering the overall cost per insurance transaction, thereby making 21<sup>st</sup> Century more competitive.

To address the training needs of an expanding workforce, 21<sup>st</sup> Century will focus on supporting the training of new employees within its current planned expansion at each of the company's California call centers. The training curriculum will be new or recently updated job specific courses that will augment the substantial company commitment to on-going training and help 21<sup>st</sup> Century remain competitive. The company firmly believes that with the assistance of ETP funding, this training program targeting its new employees, in addition to its low-cost, direct-to-consumer insurance business, can grow substantially beyond its current base. The following three groups of employees will be trained under this Agreement:

**NARRATIVE: (continued)**

**Claims Office Adjusters (JOB 1)** – These positions perform centralized claims and adjustment services. The training will include instruction on a new digital system for recording and filing claimant statements during the claim process, investigation techniques, claims processing, medical claims, damages and liability calculation.

**Communications Representatives (JOB 2)** – These positions revise or update existing 21<sup>st</sup> Century policies and handle billing in the company's Customer Care Centers. The training will include instruction on a newly developed and installed Siebel Systems software platform now used throughout the 21<sup>st</sup> Century's Customer Care Centers. This software is the central component for all customer service related transactions within 21<sup>st</sup> Century's insurance products and on-going policy management. Other customer service topics include billing, general claim procedures, coverage suspensions, rating, and policy issue resolution.

**New Business Representative (JOB 3)** – These newly created positions provide sales and information to interested parties regarding 21<sup>st</sup> Century insurance products and will become the primary sales presence for the company's new business. The training will include instruction on a newly developed and installed Siebel Systems software platform now used throughout the 21<sup>st</sup> Century's Customer Care Centers. The training topics will also include new policy processing, discounting procedures, binding and payment processing, and benefits and service comparison techniques.

Each of the three Job Groups will receive training to serve customers located in Arizona, California, Nevada, Oregon and Washington.

**Supplemental Nature of Training**

This training program supports only the training of new employees as the company expands in all its markets and implements new computer systems. The training topics relating to the new Siebel Software customer service platform, which represent a substantial consolidation of several different databases and applications, have not been provided previously to current employees.

All training proposed under this application is training driven by the introduction of new telecommunications and computer technologies, as well as the expanse in the scope and complexity of services offered to 21<sup>st</sup> Century customers. The company has stated that this new employee training program will be formalized for all new employees and will become part of the company's on-going training at the end of this ETP Agreement. Additionally, New Business Representative (Job 3) is a new job classification to 21<sup>st</sup> Century and the training for this new occupation has not been offered previously.

ETP funds will enhance and not displace 21<sup>st</sup> Century's on-going investment in the training of its workers. The company will continue to provide management and supervision, computer system updates, insurance product updates, and regulatory updates to its existing employees. While the company does provide considerable on-going training to its existing employees, the support of the new employee programs with ETP funding will allow 21<sup>st</sup> Century to maintain and possibly expand the other on-going training programs throughout the remainder of the company.

**In-Kind Contribution**

21<sup>st</sup> Century will provide an in-kind contribution of \$1,260,000 for on-the-job training which is tied to ETP class/lab training, but is not included in this application. An additional \$2,300,000 will be provided by 21<sup>st</sup> Century to defray wages paid to employees while they attend ETP-funded training. The amount of the total in-kind contribution made by 21<sup>st</sup> Century is \$3,560,000.

**Secure Jobs**

The turnover rate for 21<sup>st</sup> Century during the last calendar year for full-time workers at the sites requesting training is 18.6 percent.

**PROPOSED ACTION:**

Staff recommends that the Panel approve this Agreement if funds are available and the project meets Panel priorities. The company states that this training will result in more effectively trained new employees and will help the company expand in an intensively competitive insurance market place.

**TRAINING PLAN:**

Group/ Trainee Type	Types of Training	No. to be Retained	No. Class / Lab Hrs.	No. SOST Hours	Cost Per Trainee	Hourly Wage after 90 days
1 - 3 Retrainees	Business Skills	700	110-200	0	\$1,430 - \$2,600	\$13.04 - \$21.89
Health Benefits used to meet ETP minimum wage: N/A			Range of Hourly Wages: \$13.04 - \$21.89			
			Prevalent Hourly Wage: \$15.08			
			Average Cost Per Trainee: \$1,825			

Training Data									Payment Schedule				
1	2	3	4	5	6	7	8	9	10	11	12	13	14
Job	Occupations	Type of Training	No. Retain	Cls/Lab Video-conf. Hours	CBT Hours	SOST Hours	Cost Per Trainee	Total SOST Trainer Hrs.	Hrs. to Enroll/Pay 1 Enroll	Pay 2 Compl	Pay 3 Hired	Pay 4 After 90 Days	Wage After Retention
1	Claims Office Adjuster	Direct-Employer Retrainee	110	148			\$1,924		8	\$481.00	\$962.00	\$481.00	\$14.69 - \$21.89
687		Business Skills		148									
2	Communications Representative	Direct-Employer Retrainee	190	200			\$2,600		8	\$650.00	\$1,300.00	\$650.00	\$13.04 - \$19.58
687		Business Skills		200									
3	New Business Representative	Direct-Employer Retrainee	400	110			\$1,430		8	\$357.50	\$715.00	\$357.50	\$13.04 - \$19.58
687		Business Skills		110									

**Contract Totals**

Program Cost		\$1,277,640	Total to be Retained	700
Substantial Contribution	(-)	\$0		
Multiple-Empl. Support	(+)	\$0		
TOTAL ETP Funding	(=)	\$1,277,640		

Turnover Rate	% of Mgrs. & Sups. to be trained	Health Benefits Inc. in Wage?
18.6	0	No

Location of Training: All training will be held on company premises in Brea, Concord, Monrovia, San Diego, San Jose and Woodland Hills, California during work hours.

Ratios:

The ratio of trainers to trainees for class/lab and videoconference training shall not exceed 1:20 for retrainees.

If Health Benefits is YES, please explain: N/A.

Other notes: